

FISCAL NOTE

SB 737 - HB 1285

March 3, 2003

SUMMARY OF BILL: Exempts full-time federal, state and local government employees from paying the professional privilege tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$1,216,000

Increase State Expenditures - Not Significant - One-Time

Other Fiscal Impact - The exemption of federal employees would not be significant, since the Attorney General in Opinion No. 03-002 has opined that the exemption for full-time state employees (Chapter 856, Public Acts of 2002) contained in the Professional Privilege Tax violates the doctrine of intergovernmental tax immunity by favoring state employees over federal employees and indicated the Department of Revenue should remedy the statute's constitutional infirmity by extending the exemption to federal employees. Therefore, any fiscal impact occurred subject to the act passed last session and this part of the bill merely amends the statute to reflect actions being implemented by the Department of Revenue to comply with the Attorney General's opinion.

Estimate assumes:

- Based on Bureau of Labor Statistics estimates of the percentage of local government employees in each of the categories covered by the professional privilege tax, of the 145,000 currently subject to the tax, 3,040 are local government employees.
- The professional privilege tax is \$400.
- The decrease in state revenue is calculated as $\$400 \times 3,040 = \$1,216,000$
- Notification to the affected taxpayers can be accomplished without an individual mailing.

For information purposes, it should be noted that the application of the tax for federal employees at the \$400 level would have generated at least \$1,150,000. Therefore, the state will realize a reduction in state revenues in excess of \$575,000 for FY 02-03 and FY03-04 and forego revenues in excess of \$575,000 for FY02-03 and FY03-04 due to implementation of Chapter 856, Public Acts of 2002. Should the bill become law prior to the due date of the FY02-03 tax, the decrease in state revenues of \$1,216,000 occurring for the purpose of the exemption for local government employees would begin in FY02-03 as opposed to FY03-04.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director